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C O N F I D E N T I A L SECTION 01 OF 02 HARARE 000800

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SUBJECT: BUSINESS CONGRESS UNDERSCORES GOZ'S ECONOMIC  
INEPTITUDE

Classified By: Ambassador Christopher Dell for reasons 1.5 b/d

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Summary  
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1. (SBU) The Zimbabwe National Chamber of Commerce,s (ZNCC) annual congress, which brought together private and public sector participants in late June to address Zimbabwe's economic decline, was a dismal failure that highlighted in particular the GOZ,s inability to consider needed economic reforms. Outgoing ZNCC President Luxon Zembe opened the congress by noting that economic conditions had worsened since last year's meeting but that none of last year's recommendations to government had been acted upon. In response, government participants offered stale assertions that western sanctions were the actual cause of the decline and promised &economic salvation8 under the GOZ's latest turnaround package. In a moment of pure symbolism, the organizers ended the planned three-day conference a day early due to lack of funds. End Summary.

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ZNCC Faults Government for Worsening Economy  
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2. (SBU) Opening the congress on June 28, Zembe recalled the economic problems and policy recommendations that the ZNCC had discussed at its meeting last year. Rhetorically asking the roughly 150 participants what had changed in the past year, Zembe replied that economic conditions had only worsened. Government had not responded to the Chamber's numerous recommendations, which had included liberalizing the exchange rate and providing security of land tenure.

3. (SBU) The GOZ instead had created in Zembe,s words a "parasitic agrarian bourgeoisie" that demanded ever-more

government handouts without a commensurate rebound in agricultural output. The end result was a population with a very few who were filthy rich and where the masses were filthy poor. The middle class had been decimated. Zembe said he still had hope that the government's National Economic Development Priority Program (NEDPP), of which he and other Chamber officials were members, could facilitate a turnaround, but cautioned against expectations of quick gains, especially if the government failed again to initiate needed reforms.

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GOZ Offers Excuses, Platitudes  
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14. (SBU) In response, the few government officials who attended the congress dodged Zembe's critique and offered vague assurances that they were working to improve the business environment. Industry and Trade Minister Obert Mpofu claimed unconvincingly that all of the concerns raised by the Chamber's outgoing president were being addressed by NEDPP, although he refused to provide details. Attempting to echo these assurances, Deputy Minister of Economic Development Samuel Undenge recounted the work of yet another GOZ economic revival plan, Vision 2020. (N.B. Providing an apt commentary on the GOZ's series of failed turn around plans, newly elected ZNCC President Marah Hativagone thanked Undenge for reminding the business community that Vision 2020 was still in existence.)

15. (SBU) The assorted government officials, finding themselves unable to respond to the pointed economic questions posed by ZNCC members, retreated to stale

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assertions that U.S. and EU sanctions were to blame for the decline rather than government policies. Local economist Eric Bloch eviscerated this claim by noting that Zimbabwe had a growing trade surplus with both the US and EU, and jokingly wished that all countries placed similar "sanctions" on Zimbabwe.

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Early Closure  
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16. (SBU) Originally scheduled for three days, organizers abruptly canceled the last day due to a lack of funds. Participants had little time to debate recommendations to government. In the 45-minutes left to them, delegates developed a "wish list" of outcomes, such as positive real interest rates, increased foreign investment, and a floating exchange rate, but offered no solutions on for achieving those outcomes.

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Comment  
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17. (C) One has come to expect nothing less than ineptitude from government ministers, so their performance was not surprising. Perhaps more disheartening was the lack energy emanating from the private sector. Despite Zembe's initial volley against the GOZ's shortcomings, he and other Chamber participants were at a loss for ideas and appeared inclined to accept at face value the government's latest turnaround effort.  
DELL